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## Argentina

### Livestock and Products

### Annual

### 2008

**Approved by:**

David Mergen  
U.S. Embassy

**Prepared by:**

Ken Joseph

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**Report Highlights:**

Argentine beef exports in 2009 are projected to recover somewhat to an estimated 480,000 tons after falling to 400,000 tons in 2008. The main factor affecting exports is government limits on exports in order to supply larger volumes to the domestic market and reduce pressure for retail price increases. Exports in 2008 were also affected by the farm strike that took place between March and July. Total cattle numbers are expected to fall somewhat as producers respond to low cattle prices and higher prices for field crops by reducing their herds.

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Includes PSD Changes: Yes  
Includes Trade Matrix: No  
Annual Report  
Buenos Aires [AR1]  
[AR]

## SECTION I. SITUATION AND OUTLOOK

Argentine beef exports for 2009 are projected up at 480,000 tons carcass weight equivalent (cwe), after falling to 400,000 tons in 2008. This volume, however, will depend largely on government policies. Exports are forecast to increase because the government set a higher export quota, cattle and beef supplies are not expected to be limited by a strike (as in 2008), and thermoprocessed beef exports will be exported outside the quota.

The Argentine Government increased controls on beef exports in the first half of 2008 in order to guarantee domestic supplies at a price below world prices. While increasing the beef export quota to approximately 45,000 tons (cwe) a month, the government also implemented a new system by which beef packing plants are required to have at least 75 percent of their warehouse capacity full to be able to export the excess above that level. The National Organization of Control of Agricultural Commercialization (ONCCA) administers the ROE (Registry of Export Operation) under the provisions of Resolution 3433/2008 of August 27, 2008. All exports must be registered and the government has the authority to reject or delay exports depending on domestic price and supply conditions.

Frozen beef is expected to continue to lead local exports (measured in volume). The Russian Federation is the number one market, followed by Israel and Venezuela. Fresh or chilled beef exports are the next largest export item, with the European Union the main market. Germany is the leading buyer in the EU, with the Netherlands, Italy and the U.K. secondary markets. Neighboring Chile is also an important market for fresh beef, but because of higher world prices, it has lately reduced imports significantly. Exports of thermoprocessed beef are expected to recover somewhat in 2009 as the government in regulations issued this year excluded these products from export limitations to promote an increase in prices for culled old cows. The U.S. and the U.K. are expected to continue to be the main markets.

FOB export prices increased further in 2008, with very high values for the Hilton Quota and chilled beef exports. Frozen beef prices also increased significantly. The Argentine average FOB beef price for the first semester of 2008 was US\$5,500 per ton, 48 percent higher than in the same period of 2007. Average Argentine export prices for selected products were (July 2008): chilled loin US\$17,350 per ton, chilled cuts for Chile US\$5,100 per ton, frozen chuck and blade for Russia US\$3,500 per ton, frozen trimmings US\$2,750 per ton, cooked frozen US\$5,800 per ton and corned beef US\$3,300 per ton.

Most private beef analysts report that the Argentine herd is going through a liquidation phase, as the number of slaughtered cattle continues high with a large share of female animals. Slaughter levels and beef production for 2009 are forecast to remain high and similar to the previous year.

The government implemented in 2007 a support system for feedlots in order to encourage domestic production. Producers who are officially registered in the program currently receive approximately US\$0.80 per day for cattle while in the feed yard. The program is aimed at offsetting increased grain/feed prices. Only cattle destined for the domestic market receive this support.

Government efforts to guarantee domestic supplies at below world market prices have resulted in increased domestic consumption. Private analysts indicate that Argentina domestic consumption would likely fall and exports could increase to between 800,000-1,000,000 tons of beef if it were not for government limitations on exports. Argentina traditionally consumes approximately 80 percent of production, with the remaining 20

percent exported. The portion exported in 2008 is expected to fall to 12.5 percent of production.

Investment at the ranch level continues primarily in new areas of production which are being developed. New pastures, infrastructure and genetics are being incorporated in northern provinces such as Salta, Chaco, and Formosa. Feedlots have also expanded capacity, as every year the amount of cattle finished in feedlots expands. In 2005-07, several local meat packers were sold to Brazilian, and at a lesser extent, U.S. companies. Almost all those companies invested in expanding capacity and becoming more efficient. More recently, meat packers have slowed down investments.

Live steer prices in July 2008 were 3.25 pesos per kilo, roughly US\$1.07. Cattle prices in Argentina are significantly below prices in neighboring countries. While cattle prices (measured in US dollars) in July 2006 were similar in Argentina, Brazil and Paraguay (with Uruguay having significantly higher prices due to having more countries recognize its foot-and-mouth disease free status), two years later the price in Brazil is US\$1.91 per kilo, in Paraguay US\$1.58 per kilo and US\$1.72 per kilo in Uruguay.

The Argentine Beef Institute continues to promote beef exports. In 2007 and 2008, it participated in several shows and campaigns in several countries in Europe, and the Russian Federation. It has also worked in domestic educational campaigns; facilitate the opening of new markets, research, science, health issues, etc.

## SECTION II. STATISITCAL TABLES

Animal Numbers, Cattle Argentina	2007			2008			2009		
	2007			2008			2009		
	Market Year Begin: Jan 2007			Market Year Begin: Jan 2008			Market Year Begin: Jan 2009		
	Annual Data Displayed		New Post	Annual Data Displayed		New Post	Annual Data Displayed		Jan
			Data			Data			Data
Total Cattle Beg. Sths	51164	51164	55664	51062	51062	55662			55162
Dairy Cows Beg. Stocks	2200	2200	2150	2200	2200	2050			2050
Beef Cows Beg. Stocks	21000	21000	21250	20800	20800	20900			20600
Production (Calf Crop)	15400	15400	15900	15200	15200	15200			14800
Intra-EU Imports	0	0	0	0	0	0			0
Other Imports	0	0	0	0	0	0			0
Total Imports	0	0	0	0	0	0			0
Total Supply	66564	66564	71564	66262	66262	70862			69962
Intra EU Exports	0	0	0	0	0	0			0
Other Exports	2	2	2	2	4	0			0
Total Exports	2	2	2	2	4	0			0
Cow Slaughter	5100	5100	5200	5000	5000	5200			4800
Calf Slaughter	2700	2700	2700	2800	2800	3200			3400
Other Slaughter	7000	7000	7300	6600	6600	6400			6600
Total Slaughter	14800	14800	15200	14400	14400	14800			14800
Loss	700	700	700	700	700	900			700
Ending Inventories	51062	51062	55662	51160	51158	55162			54462
Total Distribution	66564	66564	71564	66262	66262	70862			69962

Meat, Beef and Veal Argentina	2007			2008			2009		
	2007			2008			2009		
	Market Year Begin: Jan 2007			Market Year Begin: Jan 2008			Market Year Begin: Jan 2009		
	Annual Data Displayed		New Post	Annual Data Displayed		New Post	Annual Data Displayed		Jan
			Data			Data			Data
Slaughter (Reference)	14800	14800	15200	14400	14400	14800			14800
Beginning Stocks	0	0	0	0	0	0			0
Production	3200	3200	3300	3170	3170	3200			3100
Intra-EU Imports	0	0	0	0	0	0			0
Other Imports	5	4	4	5	5	5			4
Total Imports	5	4	4	5	5	5			4
Total Supply	3205	3204	3304	3175	3175	3205			3104
Intra EU Exports	0	0	0	0	0	0			0
Other Exports	532	538	538	535	535	400			480
Total Exports	532	538	538	535	535	400			480
Human Dom. Consumption	2673	2666	2766	2640	2640	2805			2604
Other Use, Losses	0	0	0	0	0	0			0
Total Dom. Consumption	2673	2666	2766	2640	2640	2805			2624
Ending Stocks	0	0	0	0	0	0			0
Total Distribution	3205	3204	3304	3175	3175	3205			3104

## SECTION III. NARRATIVE ON SUPPLY AND DEMAND, POLICY &amp; MARKETING

## Production

Most official data show that Argentina's cattle herd grew since 2000 and leveled off in 2007 at approximately 55.6 million head. In the past several months, the share of female cattle in the slaughter increased significantly, but especially dairy cows. For the most part, analysts indicate that the cattle stock will decline in 2008 and 2009. The main reason is the low profitability in the beef and dairy sectors.

Post has adjusted stock numbers to what most of the private analysts and official contacts report. The main adjustment was made in the calf crop of the past several years. There is no official data for weaned calves. Stock numbers are now quite reliable because they are derived from the vaccination campaign, and slaughter data is also considered to be quite realistic as the government has improved control systems.

Assuming current policies will remain in place in 2009, slaughter and beef production are projected to remain quite similar to the previous year. Some producers will continue to reduce their herds because of low profitability.

The weather in the first eight months of 2008 was very dry. Pastures suffered significantly while some producers were not able to plant what they had projected.

Cattle continue to move away from rich productive soils that can also be used for field crops. Official studies indicate that some 11 million hectares of pastures were turned into cropland in the past 14 years. During this period, the herd expanded and cattle shifted to new production areas. The central-east part of the country lost some cattle, but it still accounts for 55 percent of the total herd. The northeastern provinces gained cattle and represent 25 percent of the herd. The central-west, but primarily the northwestern area, increased the number of cattle.

Many cow calf operations are marketing their calves heavier than before, as the growing demand from feedlots look for these types of animals. Cattle finished in feedlots continue to expand in direct proportion as pastures are turned into cropland. Cow-calf operations in the central part of the country previously sold their calves to traditional producers who finished fed cattle on pastures in the west of Buenos Aires province. Currently, those calves are primarily finished on feedlots distributed in the area. The remaining traditional cattle finishers combine pasture with corn, or corn and sorghum silage. Cow-calf operations in the northeastern part of the country, once a large exporter of calves, are now putting some more weight on their cattle and many steers are finished on natural pastures on the islands of the Parana river. The new productive areas in northern Argentina, like Salta and Formosa provinces, are attracting strong investment from large businesses. The implantation of very productive tropical pastures and the use of good quality genetics is the main goal of these operations, which have significant potential to become large producers of calves and fed cattle.

Producers report that their production costs, measured in dollars, increased between 30-50 percent in the past 12 months, well above cattle and beef price increases allowed by the government. Despite the dry weather during most part of 2008, and higher feed costs, Argentina has abundant feed. The country is the world's second largest corn exporter and one of the top exporters of the soybean complex. The availability of feed for livestock production is not a problem in Argentina and export taxes of 35 percent for soybeans and 25 percent for corn ensure that feed prices are below international prices.

Private estimates indicate that roughly one third of the total slaughter in 2009 will come from feedlots. This strong expansion is a result of the government's subsidy for feedlots, and their widespread use by export meat packers to have a strategic stock of cattle to fill in supply gaps. In January 2007, the GOA implemented a cross-subsidy scheme by which local users of feed (primarily corn and soybean meal) receive economic support funded by increased taxes on soybean exports. Producers of poultry, milk, pork, and feedlots receive this help. In the case of cattle, registered feedlots are receiving approximately US\$0.80 per day, for cattle fed exclusively for the domestic market. In the past five months, the government paid local feedlots a total of \$10 million per month. This system is expected to continue as the government recently announced extra funds directed to this program.

Every year cattle production increases its dependence on grains as traditional pasture finishers continue to shrink. Poultry continues its large expansion, pushed by growing domestic and export markets. Pork production is also expanding, but it is still small compared to the other two sectors. The dairy sector is also moving to production that is more intensive, especially because of the high cost of land. The more efficient use of feed is a strong trend on large operations.

Argentina has over 400 slaughter plants, with a low degree of concentration. The ten largest companies, which own roughly 35 plants, accounted for 27 percent of the slaughter in 2007. The company with the largest share accounted for roughly 5 percent. The four foreign companies (two Brazilian and two U.S.) slaughtered together almost 12 percent of the total.

The strike by the farm sector from March to July 2008 over the increase in export taxes for grains and oilseeds significantly impacted on investment in the cattle/beef sector. Producers held cattle back from sales during extended periods of the farm strike and the government increased restrictions on exports to ensure sufficient domestic supplies. Investment at the ranch level continues primarily in the new northern areas, while in the rest of the country, only maintenance is being made. The feedlot business is going through good times, with new operations coming open and large expansions in already existing yards. Investment at packinghouses has almost come to a halt.

## Consumption

Beef consumption in 2009 is forecast to drop marginally at 2.62 million tons (cwe) because of somewhat lower production and expected higher exports. Per capita consumption will be close to 65 kilos, the highest in the world. Argentines have a strong inclination for beef consumption. With retail beef prices controlled by the government, demand is expected to continue strong.

Based on official data, Argentina, at 103 kilos per capita, is the world's second largest consumer of meats, after the U.S. Roughly 65 kilos is beef, 30 kilos is poultry, 7 kilos is pork (almost exclusively as cold cuts), and 1 kilo of lamb and mutton.

There are discussions about discouraging beef consumption and increasing poultry and pork demand in order to reduce beef demand and free up more production for export. Some official proposals would reduce beef consumption down to 50 kilos per capita, increase poultry to 35 kilos per capita and to 11 kilos per capita of pork. However, the government has not implemented programs to encourage a shift in consumption.

## Stocks

The government introduced in May 2008 (Resolution 42, subsequently modified by Resolution 3433) a requirement that beef exporters have stocks equal to 75 percent of their warehouse capacity full in order to be able to export the excess above that level. The requirement is expected to result in some growth in ending stocks. This volume is not, however, expected to be significantly higher than before the measure since exports continue to account for a small share of the total beef output (representing only 16 percent in 2009). The government created the stock requirement to guarantee beef supplies that can be used immediately if local market conditions require it.

## Trade

Argentine beef exports were significantly disrupted during the farm strike in the period of March to July 2008. Road blockades and reduced marketing by producers significantly reduced the supplies available for sale and the government increased restrictions on exports to ensure domestic supplies.

Argentine beef exports during 2007 and the first part of 2008 were subject to export limits set out in Resolution 935/06. Under this Resolution, beef exports could not exceed half of the volume exported in 2005. Under this resolution, around 40,000 tons (cwe) per month were allowed to be shipped. The Hilton quota, of 28,000 tons, for export to the European Union was excluded from the export quota.

In March 2008, the government implemented new requirements that set reference prices for 13 popular cuts, reducing the values to the level of a few months before. In April, the government signed an agreement with the main farm groups, setting a quota for beef exports at 550,000 tons (cwe) per year, and allowing free exports of beef from old cows, primarily in thermoprocessed products. In exchange, producers promised to supply sufficient cattle in order to maintain low retail prices for 13 popular cuts. Total exports are expected to be below the 550,000 ton quota because of the requirement to maintain low retail prices.

On May 2008, the ONCCA issued Resolution 42/2008 (later modified by Resolution 3433/2008) which established the requirements to obtain a "red" export permit (ROE Rojo) which is required to export beef. Among the requirements for the export permit, beef exporters have to present an official declaration indicating their volume of beef in stock. Exporters need to have at least 75 percent of their warehouse capacity full, to be able to export the excess above such level. The request for a ROE Rojo is received in ONCCA and sent to the Secretariat of Commerce to be approved based on compliance of producers and packers with the April agreement to supply sufficient cattle and beef to maintain low retail prices for 13 popular cuts (described in the previous paragraph)

ONCCA has recently announced that it will speed up the authorization of ROEs for beef. Argentine beef exports in the first half of 2008 were approximately 170,000 tons (cwe), significantly lower than the agreed quota. Most contacts indicate that exports in the second semester will increase, but they will still be below the volume announced by the government.

Argentina continues to vaccinate against foot and mouth disease (FMD). Local contacts report that the region is working effectively to control the disease, especially between the borders of Paraguay with Brazil and Argentina. The last outbreak that occurred in Argentina was an isolated case in Corrientes province in early 2006.



Argentina has requested eligibility to export fresh beef to the U.S. A proposed rule was published for comment in early 2007 to allow imports from the FMD disease free area of Patagonia, which has a relatively small production that is free of foot-and-mouth disease without vaccination. Approval for the rest of the country, which the government reports to be FMD free with vaccination, is still under review by APHIS.

Argentina does now allow beef imports from the U.S. due to BSE related restrictions.